

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of September 10, 2003
Michigan Technological University, Memorial Union Building
1400 Townsend Drive, Houghton

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at approximately 9:00 A.M.

The following Board members were present:

Steven Arwood
Bob Garner
Kevin Johnson
Jim Thompson
Sam Washington

I. ADOPTION OF MINUTES.

Chairperson Johnson called for the adoption of the minutes of the June 18, 2003 Board meeting.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. WASHINGTON, TO ACCEPT THE MINUTES OF THE JUNE 18, 2003 MICHIGAN NATURAL RESOURCES TRUST FUND BOARD MEETING. PASSED.

II. PUBLIC APPEARANCES.

There were no public appearances.

III. OLD BUSINESS.

2003 Application Review – August 1 Acquisition Applications.

Mr. James Wood, Chief, Grants, Contracts and Customer Systems (GCACS), DNR, advised that staff had received an additional ten acquisition applications by the August 1st deadline. The total of the ten acquisition applications is approximately \$16 million, bringing the total acquisition requests to approximately \$86 million for consideration this year.

In addition, applicants were given the opportunity to provide supplemental information to improve their application. All supplemental information is due to GCACS by September 19, 2003. Staff will then proceed to complete the scoring of applications.

Chairperson Johnson asked about 03-209, CMS Arcadia/Green Point Dunes, and wondered if it was common that DNR's Executive Office submitted applications. Mr. Wood responded that an application is submitted on occasion. The Kamehameha Trust Land Acquisition (TF02-219) was submitted by DNR's Executive Office.

Mr. Washington inquired about 03-207, Beagle Field Acquisition, Dalton Township, and wondered if it was contingent to Fisherman's Landing. Ms. Deborah Apostol, Supervisor, Grants Section, Grants, Contracts and Customer Systems, DNR, responded that this property is outside of the City of Muskegon. Mr. Washington was concerned about the City being unresponsive to another grant issue, and would like representatives to attend a Board meeting to address these issues. Mr. Washington also asked about the title of this project, and wondered if this was a "beagle field trial" area, referring to the animal. Ms. Apostol responded that to her knowledge it is just the name of the project. Mr. Washington stated that the DNR has had a lot of dealing with field trial areas in recent years. He wanted to know if this project was to expand a dog field trial area. Mr. Wood responded that he will check on this. Mr. Garner mentioned that he does not believe this is for a dog field trial area, as the minimum size must be at least 40 acres.

Mr. Arwood asked about the 03-204, Wolcott Mill Metropark Land Acquisition, Huron-Clinton Metropolitan Authority (HCMA), and wondered if this application was for the Metropark itself. Mr. Wood responded yes. Mr. Arwood further inquired how HCMA was eligible to receive grants. Mr. Wood responded that HCMA is its own governing body and they are listed as an eligible applicant in the MNRTF legislation.

Mr. Arwood inquired about 03-205, Holiday Inn Property Acquisition, City of East Tawas and wondered exactly what the acquisition would be used for. Ms. Apostol responded that it is her understanding that it is to be used for additional parking. Mr. Wood added that staff will investigate what the acquisition is for and advise the Board at the October meeting.

Mr. Arwood asked about 03-209, CMS Arcadia/Green Point Dunes, DNR, Executive Office and wanted it clarified that this is not an application to purchase lands, but rather development rights. He requested that an overview of this project be provided at the October meeting. Ms. Helen Taylor, Director of The Nature Conservancy, stated that this project is a 6,000-acre contiguous parcel. There are dunes and shorelines which the Grand Traverse Regional Land Conservancy is asking for funds to place easements on. In addition, there would be forest and grassland protection. Also, the project includes 2.7 miles of shoreline and 320 acres of critical dunes. Other funding will come from other resources (Mott Foundation, Kellogg Foundation and local communities).

Mr. Arwood stated that he would like to know how this project will be put together. Ms. Taylor suggested that the Grand Traverse Regional Land Conservancy make a presentation at the October meeting to explain the aspects of this project. Mr. Wood added that the Conservancy has already contacted GCACS staff expressing their interest in doing a presentation at the October meeting.

Mr. Garner also commented that the beauty of this project is that the easements would all be in place and the Conservancy holds the title so there would not be the tax obligation to DNR. This piece of property requested is only about 31% of the total acquisition.

Mr. Arwood asked if this acquisition would allow the State to retain any type of development rights for public facilities. Mr. Garner responded that he does not believe so, other than for access purposes. Hunting, trapping, and fishing aspect is guaranteed on the property. Ms. Taylor also commented that a nature center is being planned by either the township or the county.

Chairperson Johnson asked if payment for this could be spread out over a period of time. Ms. Taylor responded that this could be arranged.

Mr. Garner also stated that if this project is funded, that there be a reverter clause identified in the criteria, in the event the Conservancy does not represent the DNR as well as expected in management of the property.

Mr. Arwood mentioned that it appears that the applications submitted by DNR's Parks and Recreation Bureau seem to be requesting a lot of funding for repairs of facilities. He wondered where the DNR was going with the renovations and repairs. Mr. Wood responded that the list the Board has includes both MNRTF and Land and Water Conservation Fund (LWCF) applications. The majority of the Parks and Recreation Bureau's development applications are asking for LWCF funding, and not MNRTF. Renovation of facilities is more appropriate for funding under the LWCF program, as they are not a priority of the MNRTF and do not score as well under the existing criteria. Mr. Garner also stated that there are no General Fund dollars being provided for State Parks at the present time.

Mr. Washington stated that State facilities are becoming more dependent on restricted funds and user fees for renovations and repairs. He feels it is inappropriate to use MNRTF funds for park maintenance. He would like to see a study prepared in terms of how much park-related General Funds have been cut over the last decade from DNR's budget.

Mr. Arwood was concerned that there is no long-range plan for funding operation and maintenance of State Parks. Mr. Garner suggested inviting Mr. Lowen Schuett, Acting Chief of Parks and Recreation Bureau, to a future meeting to outline the State Park system and its operations.

Discussion ensued relating to funding sources for operation and maintenance of State Parks.

Mr. Wood will contact Parks and Recreation Bureau and ask that they provide the Board with a report on State Park renovations at an upcoming meeting.

Mr. Garner stated Mr. Schuett could provide the Board with the State Parks list, which identifies ranking and how much revenue is generated in fees.

Mr. Washington stated that he, as well as the other Board members, has received many letters relating to the Mullett Lake snowmobile trail issue. This is part of the DNR's Gaylord-Cheboygan Trail which received MNRTF funding. The Mullet Lake trail portion was to be used for nonmotorized use only.

Mr. Wood briefly outlined the history of the Gaylord-Cheboygan Trail. The MNRTF approved funding for this trail over a six-phase acquisition.

Mr. Garner briefed the Board that the groups involved in the trail issue have been meeting, and may have found an alternate route for snowmobiles. This issue may be solved in the very near future. The DNR is moving on this issue at the present time.

Mr. Arwood wanted it noted for the record that due to the number of letters the Board has received regarding the Mullet Lake snowmobile trail issue, it was discussed at the meeting. Resolution to the problem is being addressed by the Natural Resources Commission.

IV. NEW BUSINESS.

TF00-328, Millennium Park Land Acquisition, Kent County – **PROJECT CHANGE REQUEST.**

Mr. Wood outlined TF00-328, Millennium Park Land Acquisition, Kent County for the Board's information. This is a grant of \$1,110,200 that was awarded to the County in 2000 to acquire approximately 345 acres to expand the existing Millennium Park. The following year the County was awarded a second grant of \$3,390,000 to acquire approximately 289 acres to complete the acquisition of the remaining lands within the park. The park is located within the City of Grand Rapids.

The County has requested a project change to amend the project to reduce the acreage required as part of the project, and to add an additional parcel. This would result in acquisition of approximately 46% of the original acreage (345 acres to 185 acres).

Mr. Roger Sabine, Director of Parks for Kent County, proceeded to further outline the County's request. He provided some background on Kent County's park system (80 years old with 5400 acres). Millennium Park is the County's most significant acquisition with 1500 acres, and is in an urban setting (City of Grand Rapids). The County is a major player in the regional trails system and a partner with the DNR for the White Pine Trail.

Mr. Sabine further stated that there were approximately 80 parcels to acquire for Millennium Park. There are almost 600 acres acquired. There will be five miles of riverfront on both sides of the Grand River. He further outlined via photographs development that has been completed for parking lots and beach area.

Mr. Arwood asked if users of Kent County's park facilities have to pay entrance fees. Mr. Sabine responded that many of the parks have public roads through them. As a result, many of the old parks are controlled by the County Road Commission. Mr. Arwood asked if there was a different process for Millennium Park. Mr. Sabine responded that the County's parks are free to enter. Parks are supported by the County's General Fund. There is a \$500,000 maintenance budget for Millennium Park this year.

Mr. Sabine identified the parcels in the project change request via a map. Discussion ensued by Board members on various aspects of the project.

Mr. Washington asked if there have been problems with landowners unwilling to sell their property for the park. Mr. Sabine responded the County has not had anyone say no, although some have said they would sell, but not at the present time. The County is still actively talking to landowners. Mr. Washington asked about securing a life lease. Mr. Sabine stated that the County has done this with other properties. Under MNRTF acquisition guidelines, the County would not be able to offer a life lease. It would devalue the property.

Ms. Apostol advised the Board that actually 50 acres in the project were overestimated at the time of the application. All parcels in the project have been appraised, appraisals reviewed by the DNR and approved.

Mr. Thompson asked Mr. Sabine if the County would be able to obtain all the property in the second portion of the park project for the \$3,390,000 grant awarded. Mr. Sabine responded yes.

Mr. Arwood asked if Kent County has passed a resolution to approve this project change. Mr. Wood responded that the County has to pass a resolution for amending the project agreement.

Mr. Washington pointed out that he hopes the County has requested adequate funds for completion of this project.

MOVED BY MR. GARNER, SUPPORTED BY MR. WASHINGTON, TO ALLOW A NET ACREAGE REDUCTION FROM 345 ACRES TO 185.4 ACRES (46% REDUCTION) TF00-328, MILLENNIUM PARK LAND ACQUISITION, KENT COUNTY, CONTINGENT ON THE COUNTY'S APPROVAL TO PLACE ALL PARCELS ACQUIRED WITHIN THE BOUNDARIES OF MILLENNIUM PARK UNDER THE OBLIGATIONS AND RESTRICTIONS OF THE MNRTF PROGRAM. FINAL LEGAL DESCRIPTIONS AND BOUNDARY MAP WILL BE MADE PART OF THE PROJECT AGREEMENT FOR TF01-078. PASSED.

TF01-143, Northline Road Land Acquisition (SAGI Project), City of Taylor – PROJECT CHANGE REQUEST.

Mr. Wood outlined the project change request for TF01-143, Northline Road Land Acquisition, City of Taylor. The City was awarded a Small Acquisition Grants Initiative (SAGI) grant of \$66,000 to acquire approximately 1.38 acres to be used as an addition to the existing Heritage Park. This area was to be used as a picnic and open space area (passive recreation). Due to the popularity of a petting zoo at Heritage Park, the City would like to add some additional parking, west of the grant site. This would change the use of the MNRTF grant parcel from passive recreation into an infrastructure change.

The City has offered to acquire a second parcel directly east and adjacent to the original parcel. This new parcel would be used as a picnic and open space area. The grant amount will not change; however, the acreage will increase by 1.38 acres.

According to Board Policy 00.1, any significant project change and/or increases in acreage must be brought before the Board for approval.

MOVED BY MR. THOMPSON, SUPPORTED BY MR. WASHINGTON TO APPROVE THE PROJECT CHANGE REQUEST FOR TF01-143, NORTHLINE ROAD LAND ACQUISITION, CITY OF TAYLOR, TO ALLOW AN INCREASE IN ACREAGE FROM 1.38 ACRES TO 2.76 ACRES. PASSED.

Use of Stabilization Fund and Draft MNRTF Board Policy 03.1.

Mr. Wood stated that the 2002 Michigan Statewide Ballot included Proposal 2, which would allow the State to invest the holdings of various state trusts in securities that would provide a higher rate of return than the State's common cash accounts. A long-term spending plan of 1/3rd the revenue plus 5% of the interest income was supported by the Natural Resources Commission.

A subcommittee had been formed to review the use of a Stabilization Fund to help offset fluctuations in investment income from the fund. Mr. Arwood and Mr. Washington were assigned to the subcommittee representing the MNRTF Board. As a result of the outcome of the subcommittee's meeting of July 23, 2003, Mr. Arwood and Mr. Washington asked staff to develop a draft Board policy for discussion at the September meeting and approval at the October meeting.

Mr. Arwood stated that there were three issues that he obtained from the subcommittee meeting. These were:

1. The Stabilization Fund is not a separate fund, per se.
2. This is a reserve to stabilize the amount available for the MNRTF program.
3. This fund would include funds from projects not completed that lapse back to the MNRTF.

Mr. Washington added that this Stabilization Fund would provide a reasonable amount of money that would be available yearly for grants. In addition, there is going to be more variation in the amount of money that is going to be available to be spent for grants, depending on fluctuations in the market. He feels it is desirable for the Board to have a baseline to work with. Mr. Washington's expressed a concern relating to protecting lapsing funds against a raid of the fund. The subcommittee was careful to state that this is not viewed as a separate fund, but merely a way of designating a certain portion of the corpus for stabilizing the amount available for grants year to year.

Discussion ensued on aspects of the draft Board Policy on use of the Stabilization Reserve.

Mr. Garner stated that the draft language in the Board Policy is essentially the same as what the Natural Resources Commission recommended, and he sees no problem with it.

Mr. Washington wondered if an initial amount for the Reserve had been established. Mr. Wood responded that it is 20% of the current corpus, which would be approximately \$40 million. The current corpus will not be used to form the Reserve.

Chairperson Johnson asked if there is an issue where the Reserve would not be making as much money as it could, as a result of the Board has not acting on the Board Policy until the October meeting. Mr. Wood responded that the sooner the Board could act on the policy, the sooner staff would be able to transmit the information to the Department of Treasury regarding the allocation plan. Treasury is going to be in a position of having to do investments with the MNRTF dollars.

**MOVED BY MR. WASHINGTON, SUPPORTED BY MR. GARNER, TO
ADOPT BOARD POLICY 03.1, USE OF STABILIZATION RESERVE.
PASSED.**

V. STATUS REPORTS.

Real Estate Report

Mr. Wood advised the Board that they had received a copy of the Real Estate report in their Board materials. The DNR has secured four options for purchase of land. These include:

Trailways – Alpena to Mackinaw Trail, Alpena and Presque Isle Counties, 32.75 miles in two segments, \$710,725

– Falling Waters Trail, Jackson County, 8.28 miles in two segments, \$350,000

Wildlife Areas – Elmer Johnson Tract, Allegan State Game Area, Allegan County, 35.20 acres, \$141,000

State Park and Recreation Areas – Edward Risner Tract, Waterloo State Recreation Area, Jackson County, 5.88 acres, \$118,000

The DNR has no Trust Fund dollars remaining in lump sum accounts to move forward with land acquisitions that currently are available or may be available in the near future.

Local Projects Completion Report

Mr. Wood outlined to the Board that two acquisition and five development projects have been completed since the last meeting.

Revenue and Interest Report

Mr. Wood outlined the revenue and interest report (green sheet) for the Board's information. Some of the numbers that were projected in past reports are now actual received revenue. Revenue projections continue to rise. The exact revenue figures will not be available until the books are closed. At this point, it is projected that there will be approximately \$13.7 million available for acquisitions and \$5.8 million for development projects.

Mr. Arwood requested that a chart of PILT payments that have been paid from the MNRTF program since 1977 be developed and provided to the Board. Mr. Wood said he believed a chart was prepared about five years ago. He will provide this information at the October meeting.

Lump Sum Report

Mr. outlined the lump sum report (buff sheets) for the Board's information. Lump sums are being closed out and divisions do not have a lot of funds left in the accounts.

VI. OTHER MATTERS AS ARE PROPERLY BROUGHT BEFORE THE BOARD.

None.

VII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 A.M., Wednesday, October 15, 2003, Clarion Hotel and Conference Center, 3600 Dunckel Drive, Lansing, Michigan.

VIII. ADJOURNMENT.

**MOVED BY MR. GARNER, SUPPORTED BY MR. THOMPSON, TO ADJOURN
THE MEETING. PASSED.**

The meeting was adjourned at about 11:05 A.M.

Kevin E. Johnson, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

James Wood, Chief
Grants, Contracts and Customer Systems
Administrative Services Bureau

DATE

